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## Home-Buyer Sentiment and Hurricane Landfalls

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# Home-Buyer Sentiment and Hurricane Landfalls

- The Story
- The Background
- The Audience
- The Science and the Data
- Initial Empirical Results, and Encouragements for Later Research



# Home-Buyer Sentiment and Hurricane Landfalls

- *The Story*
- Sentiment is the perception of risk by investors in the securities markets, proxied by such measures as trading volume and bid/ask spreads. We hold that residential real estate markets can be framed by selected measures of sentiment, as well. We employ three proxies for homebuyer sentiment: the spread between listing (asking) and selling prices, average days of a house on the market and single-family houses sold per month. We find changes in residential market sentiment attaching to hurricane landfalls in our study region.



# Home-Buyer Sentiment and Hurricane Landfalls

- *The Background*

Bandopadhyaya (2006)

Morgan (2007)

Graham, Hall and Schuhmann (2007)

- *The Audience*



# Home-Buyer Sentiment and Hurricane Landfalls

- *The Science and the Data*

Realtor Data, 1995 – 2002: Homeowners in the Cape Fear Region, an area at elevated hurricane risk

Fran, Bonnie and Floyd

Questions concerning:

1. Listing/Selling Price Spreads
2. Days on the Market
3. Units sold per month; Units sold relative to available inventory



# Home-Buyer Sentiment and Hurricane Landfalls

- *Empirical Results*
  - Data in Tables 1 and 2



**Table 1: Average prices, days on the market and spreads for Coastal Areas, 1996-2002**

• Year	PRICE	DOM	SPREAD
• 1996	\$156,318	110	0.029
• 1997	174,676	113	0.031
• 1998	187,127	136	0.035
• 1999	191,341	147	0.035
• 2000	203,184	162	0.038
• 2001	197,188	152	0.034
• 2002	208,244	147	0.039



**Table 2: Regression results for the days on the market, spread and price**

**Panel A: Spread**

<b>Variable</b>	<b><math>\beta</math></b>	<b>p-value</b>
• Intercept	0.0549	0.0062
• SPDLAG	0.00003	0.0033
• COAST	0.0072	0.0006
• FRAN – P12	0.0141	0.0048
• BONNIE – P3	-0.0053	.3224
• FLOYD – P18	0.0096	0.0009
• UNRATE	0.0014	0.2227
• HINF	-0.0039	0.2978
• INT	-0.3824	0.1327



**Table 2: Regression results for the days on the market, spread and price**

**Panel B: Days on the Market**

<b>Variable</b>	<b><math>\beta</math></b>	<b>p-value</b>
• Intercept	114.3099	0.0547
• TIME	0.8725	0.0000
• DOMLAG	0.0356	0.3452
• COAST	15.6929	0.0014
• FRAN –P6	11.2910	0.1860
• BONNIE – P6	12.2170	0.2177
• FLOYD – R18	23.8820	0.0674
• UNRATE	-1.0587	-0.7016
• HINF	8.0514	0.3457
• INT	-371.9153	0.6158

**Table 2: Regression results for the days on the market, spread and price**

**Panel C: Price**

<b>Variable</b>	<b><math>\beta</math></b>	<b>p-value</b>
• Intercept	12.1475	0.0000
• TIME	0.0052	0.0393
• PRICELAG	-0.0006	0.0001
• COAST	0.5486	0.0000
• FRAN – P3	0.0189	0.8391
• BONNIE – P12	-0.0750	0.2950
• FLOYD – P30	-0.1430	0.2087
• UNRATE	-0.0437	0.0524
• HINF	0.0161	0.7902
• INT	-6.9456	0.1316

# Home-Buyer Sentiment and Hurricane Landfalls

- *Encouragements for Later Research*
- *Concluding Remarks*

